DOCUMENT RESUME

ED 394 185 EA 027 506

AUTHOR	Everett, R. E.
TITLE	A Guide to School Finance. Second Edition.
INSTITUTION	Illinois Tax Foundation, Springfield.
REPORT NO	ISBN-1-883559-03-0
PUB DATE	Dec 95
NOTE	55p.
AVAILABLE FROM	Illinois Tax Foundation, 300 West Edwards, Suite 201, Springfield, IL 62704.
PUB TYPE	Guides - Non-Classroom Use (055)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	Budgets; *Educational Equity (Finance); *Educational Finance; Elementary Secondary Education; Expenditures; Federal Aid; Income; *Public Schools; Resource Allocation; *School Funds; *State Aid; *State School District Relationship; Tax Effort
IDENTIFIERS	*Illinois

ABSTRACT

This book has been prepared so that taxpayers, school board members, and administrators may learn more about school finance in their own districts. It will equip them with the information necessary to understand and evaluate both the statewide system of education in Illinois and how this system relates to their own school district. Despite state-level adjustments and property-tax-relief measures at the local level, the overall funding system for Illinois schools has remained relatively unchanged for over 20 years. The current system depends heavily on local property taxes for the majority of its dollars, produces funding disparities among per-pupil expenditures, offers no incentives for schools to produce positive academic results, and offers no consequences for schools that do not. This guidebook was designed to help Illinois citizens understand how their local schools receive and spend money. It first describes how Illinois schools are organized, then discusses the source of state monies. Next, it explores the property tax system and the local revenue base for schools. The state school-aid formula is discussed to demonstrate how individual school districts receive state dollars, which are then combined with local and federal funds to form the total revenue base. The guidebook ends with a look at the local school budget to determine how that money may be spent. A glossary, nine figures, and six tables are included. (Contains 11 references.) (LMI)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
✓ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
S. Sandstrom
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

ED 394 185

A Guide to School Finance

What taxpayers, school board members & administrators need to know about Illinois public school funding

Illinois Tax Foundation

EA 027 506

BEST COPY AVAILABLE

a guide to school finance

2nd Edition • December 1995

Dr. R. E. Everett

Illinois Tax Foundation

300 West Edwards, Suite 201 • Springfield, IL • 62704

217 / 522-6818

The Illinois Tax Foundation and Taxpayers' Federation of Illinois gratefully acknowledge the financial assistance provided by the following sponsors:

Ameritech
Deere & Company
Northern Illinois Gas Company
Philip Morris U.S.A.
The Quaker Oats Company
Sara Lee Corporation
State Farm Mutual Automobile Insurance Company

We also wish to thank the following citizens who provided input on this manuscript:

Louis D. Audi, Illinois State Board of Education
Nathela Chatara, author of the 1986 edition
Ann M. Dickett, South Cook Organization for Public Education
Larry Frank, Illinois Education Association
Dr. James B. Fritts, Illinois Association of School Business Officials
Jerry Glaub, Illinois Association of School Boards
Suzanne Langston Juday, education finance & planning consultant
Katharine S. Richards, ED-RED
Dr. Walter H. Warfield, Illinois Association of School Administrators

Library of Congress Catalog Number: 95-81990

ISBN 1-883559-03-0

Introduction

Only four people completely understand the Illinois school funding formula, and they are not allowed to travel on the same airplane together. – *G. Alan Hickrod*
Professor of Education Administration, ISU

Funding for education in Illinois continues to be one of the most widely debated issues of our time. While there have been reforms and funding adjustments at the state level and moderate property tax relief measures at the local level in recent years, the overall funding system for schools has remained relatively unchanged for more than 20 years.

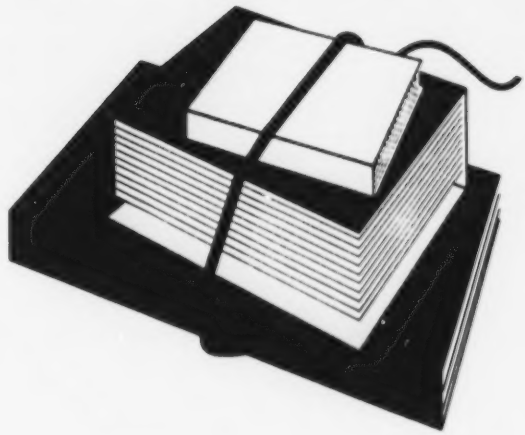
The current system produces winners and losers. The system depends very heavily on local property taxes for the majority of its dollars. It produces funding disparities throughout the state that range from $2,700 to $14,000 per pupil (1994-95). It spreads tax burdens at grossly inconsistent levels regardless of capacity. It offers no rewards or incentives for schools that produce a positive academic result, and no consequences for those that do not.

The system now in place is so complicated that most parents and taxpayers have trouble understanding how their local schools receive and spend money. This *Guide to School Finance* will steer you through the maze of elements that comprise your local school budget, on both the revenue side and the spending side. It begins with the source for state monies and then explores the property tax system, the local revenue base for schools. We will walk through the state school aid formula to demonstrate how individual school districts receive state dollars, which are then combined with local and federal funds to form the total revenue base. Finally, we will look at the local school budget to determine how that money may be spent.

Our present system of school finance is complicated in part because Illinois is a very large, complex state. Its residents have diverse needs that often require intricate solutions. Too often, this complexity is driven by politics. As a result, the system now in place is *not* what is needed for the 21st Century.

This book has been prepared so that citizens may learn more about school finance in their own districts. It will equip you with the information necessary to understand and evaluate both the statewide system of education in Illinois and how this system relates to your own local school district.

Contents



Glossary 5

1: How Illinois Schools Are Organized 8

2: How the State Funds Education 15

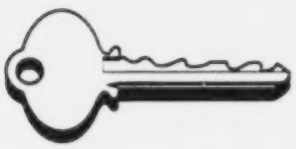
3: Local Funding of Schools 19

4: General State Aid 29

5: The School Budget 35

Bibliography / Suggested Readings 50

About the Author / About the Illinois Tax Foundation ..... 51 / 52



Glossary

School finance jargon may seem like a foreign language to someone unfamiliar with its terms, definitions, acronyms and multiple names. Knowing important words and phrases of the dialect will increase the reader's comprehension and understanding of this guide. Page numbers refer to where the term is used within the context of the booklet.

alternate method: A sort of "flexing" flat grant (between 13% and 7% of the foundation level) for school districts that qualify for general state aid with a moderate level of local wealth (equal to or greater than 87% of the state's guaranteed level) per weighted student and less than 161% of the state's guaranteed level. *page 32*

assessed value: The value placed on property for tax purposes and used as a basis for distribution of the tax burden, equal to 33⅓ of fair market value in all but Cook County, where property is classified into 11 classes for assessment purposes. This amount is subject to the state-issued equalization factor and the deduction of various exemptions. The equalization factor is the number that must be applied to local assessments to result in equalized assessed value, equal to one-third of fair market value of all taxable property. *page 21*

average daily attendance (ADA): The aggregate number of pupil days in attendance divided by the number of days in the regular school session. A pupil who attends school for five or more clock hours while school is in session constitutes one pupil day of attendance. The best three months average daily attendance of the prior year is used in calculating general state aid for the current year. *page 31*

categorical aid: Money from the state or federal government that is allocated to local school districts for special children or special programs. *page 33*

computational operating tax rate: A statutarily set tax rate used to determine the state guaranteed equalized assessed valuation (i.e., 1.90% for elementary, 1.10% for high school and 2.76% for unit districts). *page 32*

Corporate Personal Property Replacement Revenue (CPPRR): The dollars received by units of local government, including school districts, from the Corporate Personal Property Replacement Tax Fund (see next entry). *page 30*

Corporate Personal Property Replacement Taxes (CPPRT): A state tax on the net income of corporations, partnerships and trusts and an invested capital tax on utilities enacted in 1979 to replace the local tax on the assessed value of corporate personal property. These are taxes paid in lieu of taxes paid on 1978 and prior years' corporate personal property assessed valuation. *page 30*

dual district: Situation where a separate elementary district and a separate high school district often serve the same general geographic area, and at least one student is sent on from the K-8 district to attend the 9-12 district. *page 10*

elementary district: Sometimes called primary district or grade school; grades pre-kindergarten through 8. *page 10*

equalized assessed value (EAV): The assessed value of property multiplied by the state equalization factor; this gives the value of the property upon which the tax rate is calculated. For farm acreage, farm buildings and coal rights, the final assessed value is the equalized value. *page 22*

flat grant: The term given to school districts who qualify for minimal GSA because of a high percentage of local wealth equal to or greater than 7% (assessed value) per weighted student. The flat grant per weighted student is 7% of the foundation level. *page 32*

foundation level: A dollar level of financial support per student representing the combined total of state and local resources available as a result of the state aid formula. The general state aid formula for 1994-1995 provides a foundation level of $2,863.02 per total weighted average daily attendance if the district has an operating tax rate equal to or in excess of 1.28%, 1.10% or 2.18% for elementary, secondary, and unit districts, respectively. The foundation level is dependent upon the state appropriation for general state aid. *page 29*

general state aid (GSA): The revenue provided each school district from the general state aid appropriation as determined by the state aid funding formula. *page 29*

general state aid equalized assessed value (GSAEAV): The figurative value given for the total local taxable wealth of a school district, derived from the adjusted EAV on its taxable property plus the current value of the corporate personal property removed from its tax rolls in 1979. *page 25*

high school district: Sometimes called secondary district; grades 9 through 12. *page 10*

Illinois State Board of Education (ISBE): The governing body created by the General Assembly to oversee the operation of the schools in Illinois. *page 9*

multiplier: Often used as a synonym for "equalization factor;" this figure is supplied by the Illinois Department of Revenue. It is computed by comparing actual sales prices versus assessment levels in a particular county. Its purpose is to bring aggregate county assessment levels to the statutory level of 33⅓ percent of market value. *page 22*

operating tax rate (OTR): A school district's total tax rate less the tax rates for bond and interest, rent, vocational education, construction, summer school and capital improvement purposes. Districts may include taxes extended for the payment of principal and interest on bonds issued under the provisions of Section 17-2.11 (for fire prevention, safety, energy conservation, handicapped accessibility, school security, and specified repair purposes) and Section 20-2 (working cash) at the rate of .05 percent per year for each purpose or the actual tax rate extended, whichever is less. *page 32*

primary district: An elementary or grade school district; grades pre-kindergarten through 8. *page 10*

revenue: The money received by a school district from a source. *page 17*

secondary district: A high school district, serving grades 9 through 12. *page 10*

special equalization: The term used for school districts who qualify for GSA because of low local wealth per weighted student. *page 32*

tax base: The taxable property within a district's boundaries. *page 20*

tax caps: Term used to refer to the tax increase limits imposed by the Property Tax Extension Limitation Law, Public Act 87-17, effective October 1, 1991, as amended. Generally, the cap limits annual increases to 5% or the CPI inflation rate, whichever is less. *page 27*

tax extension: The calculated product of all tax rates and equalized assessed value for each parcel of real property. Prepared by the county clerk, and mailed out by the county collector in the form of a tax bill, it is the amount of taxes owed. In aggregate, this represents a district's total local property tax revenues if all taxes are collected. *page 24*

tax levy: A district's request for local revenue, the levy is the legal act by which the taxing district, in effect, authorizes the money to be derived from the property tax. The levy is expressed in dollars, not as a rate. *page 22*

tax rate: The amount of tax due stated in terms of percentage of the tax base. For example, 2.76 percent of equalized assessed valuation is a representation of a tax rate of $2.76 per $100 of equalized assessed valuation of property. *page 22*

total tax rate: The combination of rates a taxing unit can use for each single fund they are authorized to collect. *page 39*

total weighted average daily attendance (TWADA): Pupils from families with low incomes provide an additional type of weighting to school attendance, one which adjusts average attendance upwards. The additional formula adjustment for low-income pupils in a district ranges from zero to a maximum of .625. In combination, the grade-level weighting and the poverty count adjustment create a district's total weighted average daily attendance figure. Formally called Chapter 1 WADA and Title 1 WADA. *page 31*

unit district: A school district which encompasses all grade levels (preK-12); the term is used interchangeably with a 12-grade district. *page 10*

weighted average daily attendance (WADA): The average daily attendance is subject to the use of weights and adjustments designed to enhance funding levels for pupils with varying educational needs. In the general state aid law, grade pre-K-6 and special-needs pupils are weighted 1.00, grade 7-8 pupils are weighted 1.05, and grade 9-12 pupils are weighted 1.25. These weightings provide a weighted average daily attendance figure. *page 31*

weighted student: The number used as the unit of school finance for distributing general state aid. A school district could have a head count of 1,500 students who generate 1,900 TWADA. The district has 1,900 student units for GSA purposes. *page 32*

Chapter 1

How Illinois Schools Are Organized

Every citizen has the basic responsibility of understanding his or her system of government, the services that government will provide and how those services are financed. While some government services affect different segments of society, the delivery of public education affects everyone—directly or indirectly. The financing of education is a crucial activity of a democratic society and the business of the people.

The system of school finance in Illinois, in its present form, is the product of history that goes back to the early 1800s. It is a creation of the various legislatures that have acted to establish, refine and overhaul, and then start all over again. Parts of the funding system may appear random, chaotic or arbitrary as a result. This is logical because the system is actually the result of research, discussion, compromise, experimentation and experience. The way the people of Illinois have organized their public schools and how they are to be administered dictates certain aspects of the school finance system.

Education is a state function

Public education is a duty of the state. Our state constitution adopted in 1970 declares: "The State shall provide for an efficient system of high quality public education and services."

To carry out this constitutional mandate, the General Assembly has enacted a body of laws called the School Code. These laws specify how public education shall operate in Illinois. A number of different organizations are responsible for carrying out these laws.

State Board of Education

The **Illinois State Board of Education** (ISBE) is responsible for setting the educational policies and guidelines for public and private* schools, preschool through grade 12, and for vocational education in Illinois. The board is composed of 17 lay citizens appointed on a judicial-district basis by the governor with the consent of the state Senate. No more than eight board members can be from the same political party.

The board appoints a chief education officer, the **state superintendent of education**, who administers the state education agency. The state board: provides educational leadership to local school districts; ensures that schools meet minimum standards for educational programs, personnel, and business management practices; provides local schools with assistance in curriculum and management; serves as a resource and support agency to the state legislature and other groups; annually disburses close to $4.9 billion in federal and state funds (1994-95); and administers a policy of equal educational opportunity for all school children. The board also analyzes the needs and formulates the goals of education in Illinois and recommends legislation to the Illinois General Assembly.

Regional Office of Education

In every county or multi-county region, a **regional superintendent of schools** is elected for a four-year term to direct the **Regional Office of Education** (ROE). The ROE provides general supervision over all of the school districts within the county or region and serves as an agent of the state. Beginning in August of 1995, the number of single and multi-county ROEs was reduced from 57 to 45. This will be reduced to 35 by the year 1999-2000.

Some of the regional superintendents' duties include: examining the financial records of each school district in the region; supervising the procedures and operation of school boards and administrators; advising teachers and school officers; conducting teacher institutes and holding teacher examinations; distributing state dollars to the schools; compiling annual reports for the State Board of Education; and serving, by virtue of office, as secretary of the Regional Board of School Trustees.

The regional superintendent is required to visit each public school within the region at least once a year to see that academic, health and safety stan-

---

*Only private schools seeking accreditation.

dards are being met. The superintendent serves as the general regulatory advisor to school districts, school boards, and academic personnel within the region, and as a hearing officer on petitions to reorganize or consolidate school districts and on other matters.

For every ROE there is a **Regional Board of School Trustees**, a seven-member board elected for staggered six-year terms (except in Cook County, where there is a regional board of trustees for each township). Only one trustee may be elected from any one township unless there are fewer than seven townships within a region, and then not more than two trustees may be residents of the same township. The board meets the first Monday of each quarter and may call special meetings if needed.

Some of the responsibilities of the Regional Board of School Trustees are to: hear and dispose of petitions for changes in school district boundaries; appoint appraisers; and approve final settlements in the division of assets when new districts are formed.

The school district

In 1995-96 Illinois had 907 elementary, secondary and unit public **school districts**. Only two states—California and Texas—have more, and each of those states has more square miles and more people than Illinois.

The current number of districts represents a significant decrease from the 12,027 districts that existed in 1941-42. Eighty percent of that reduction occurred between the years 1944 (when there were more school board members than teachers in Illinois) and 1955—11,955 to 2,212. The rate of school district consolidation has slowed dramatically since then.

All school districts are one of three basic types: **unit districts** serving grades pre-kindergarten-12; **elementary (or primary) districts** serving grades pre-kindergarten-8; and **high school (or secondary) districts** serving grades 9-12. (See **Table 1** at right.)

Separate elementary (pre-K-8) and high school (9-12) districts are commonly referred to as **dual districts**. Every resident of Illinois either lives in a unit school district or lives in high school and elementary school districts simultaneously. Each district is governed by an elected school board, maintains its own separate administrative structure, and establishes its own educational priorities. In areas of dual districts, boards and administrators often attempt to coordinate their efforts.

Where the dual district structure exists, elementary and high school district boundaries frequently do not coincide. As a result, some elementary districts send students to two or more high school districts, while high school districts receive students from numerous elementary districts.

Illinois school districts are, by their nature, very diverse; enrollments vary widely (see **Figure 1**, next page). In 1994-95 approximately 1.9 million children were enrolled in public schools in Illinois. Fewer than 100 students make up a school district in some of Illinois' smallest downstate communities, while more than 410,000 students are enrolled in the Chicago Public School District. The enrollments of individual schools also vary greatly.

Local boards of education

The **local school board** is the creation of the state and is the delegated authority to govern the school district within the laws, rules and regulations developed by the state legislature, the U.S. Congress, the State Board of Education and other relevant state agencies. The state constitution allows only the General Assembly or its designees to tax. The local school board is its designee for collecting local taxes for the school. The board is legally responsible to the state for school district operations and is politically responsible to local voters. The local board is the point where local citizens have direct control over education in their district, including financial matters.

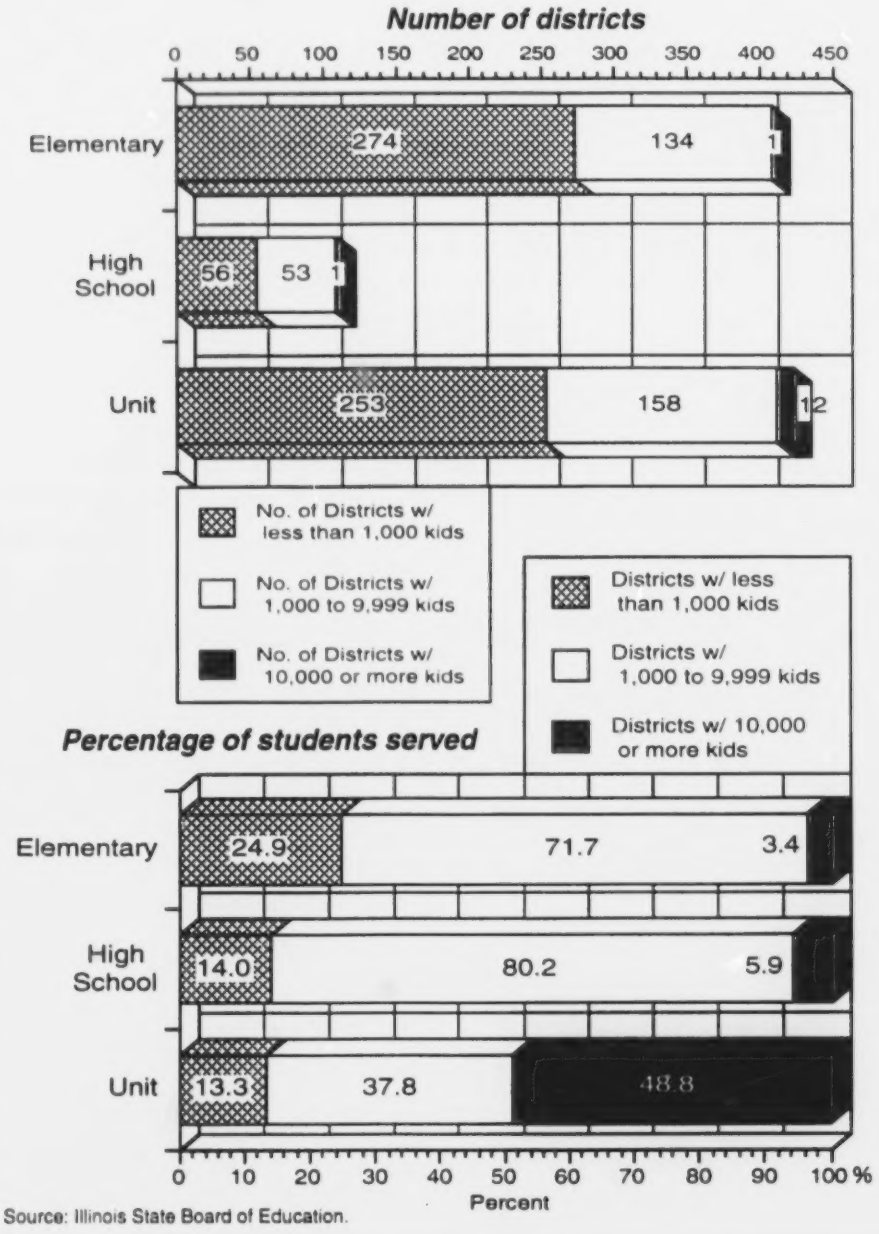
In most school districts the local school board consists of seven members

Table 1 **Illinois public school districts by type, 1975-1996**

School Year	Elementary Dists. (K-8)	Secondary Dists. (9-12)	Unit Dists. (K-12)	Total Districts
1995-96	392	107	408	907
1991-92	410	113	423	946
1985-86	431	122	444	997
1981-82	437	125	448	1,010
1975-76	453	129	446	1,028

Source: Illinois State Board of Education

Figure 1 **Illinois school districts by district type and size of student body, 1991-92**



Source: Illinois State Board of Education.

BEST COPY AVAILABLE

elected locally to serve four-year terms. School board elections are held the first Tuesday after the first Monday in November of each odd-numbered year. Terms are staggered so that either three or four seats are up for election every two years, with the exception of the Chicago Public School District, which is treated differently. In most school districts, board members run at large, which means members may live anywhere within the district. If vacancies occur, they are filled by appointment by the board until the next election. A school board candidate must be 18 years of age, have lived in the district for one year and be a registered voter. School board members serve without compensation.

School boards, as agents of the state, traditionally had only those powers granted by the General Assembly. Boards functioned to carry out the educational policies of the state and to pursue the educational goals of their respective communities. In the spring of 1995, Public Act 89-159 (SB 150) relaxed this policy; it empowered school districts and other local government units to act on behalf of their constituents in any way they deemed appropriate unless expressly prohibited by statute.

The major responsibilities of a local school board are to:

- set educational goals for the district;
- determine curricula;
- employ the superintendent, who is responsible for the day-to-day management of the schools according to state law and board policies;
- employ teachers and determine salaries;
- adopt budgets and levy taxes;
- provide necessary revenues;
- assign all contracts;
- maintain records to substantiate claims for state aid;
- maintain existing facilities and plan for new ones;
- adopt a school calendar; and
- "adopt all necessary rules for the management and government of the public schools of their districts."

School boards must hold regular meetings that are open to the public. The purpose of the meetings is to transact the legal business of the school district. An important part of the business conducted by the board involves *finance*. School boards can only take action by a majority vote at a public meeting.

They may also hold special meetings and may discuss certain items in closed session as prescribed by the Open Meetings Act.

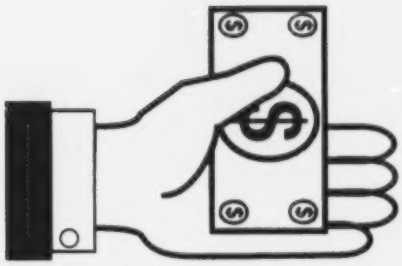
The superintendent

The **superintendent** of a school district is hired by the school board. The superintendent is charged with the administration of the schools under the direction of the board and is responsible for providing information the board needs in developing policies to run the schools. In addition to administrative duties, the superintendent makes recommendations to the board concerning: the budget; building plans; location of facilities; selection of teachers and other employees; selection of textbooks, instructional materials, and curriculum; and other duties as required by the board. In large school districts, the superintendent may have other staff members to assist in the performance of his or her duties (e.g., a **school business administrator**, **official** or **manager**).

Of the 907 school districts that existed in Illinois in 1995-96, approximately 200 had a school business administrator to provide business and financial support to the board of education and superintendent. The school business official is normally assigned duties that relate to the day-to-day financial functions of the school district: budgeting; payroll; buildings and grounds; transportation; food services; insurance; accounting and reporting; investing; purchasing, etc.

The principal

The **principal** is hired by the school board, supervises the operation of attendance centers (individual schools) and serves as the educational leader of the school. The principal, under the supervision of the superintendent, has responsibility for the planning, operation, and evaluation of the educational program of the attendance center. The principal also makes recommendations to the superintendent about appointment, retention, and promotion of personnel at the attendance center.



Chapter 2
How the State Funds Education

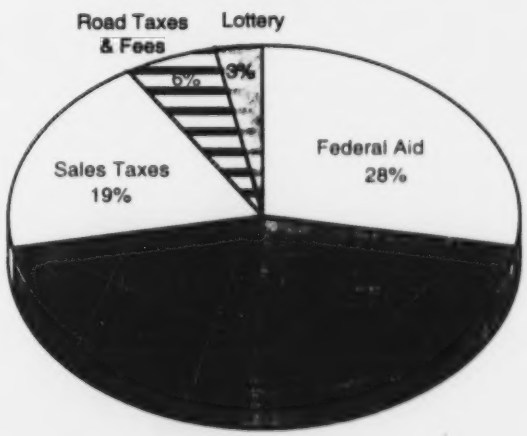
The Illinois state budget

The state of Illinois will spend more than $33 billion during fiscal year 1996. Although those proceeds are derived from over 500 separate funds, the majority (70 percent) comes from federal aid, income taxes and sales taxes (see **Figure 2** below). Roughly half of the $33 billion state budget comprises the General Fund, which is available for discretionary spending and contains the dollars that are available each year for education.

Figure 3 on the next page shows the growth in the General Fund expenditures over the last 20 years. There is very little growth after adjusting for inflation.

Figure 2

FY 1996 revenues by source, all appropriated funds

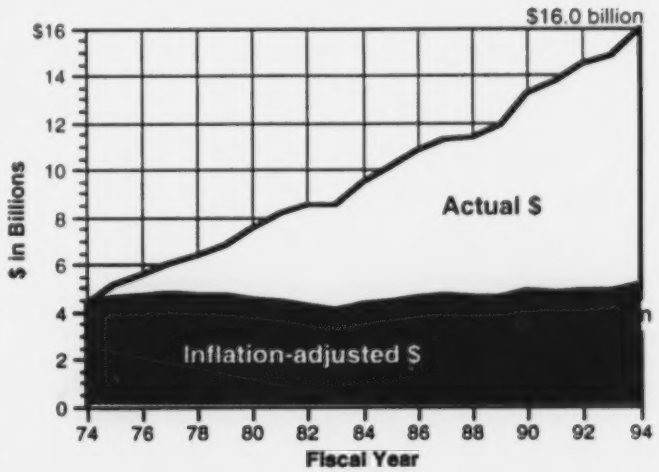


*Includes Utility, Corporate Franchise, Insurance, Cigarette, and Liquor taxes, among others.

Source: Illinois State Budget, Fiscal Year 1996.

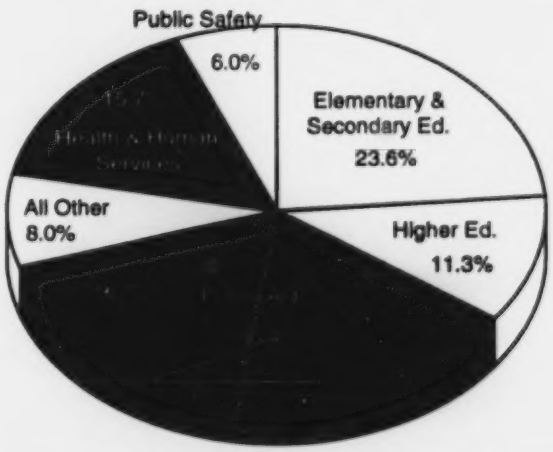
BEST COPY AVAILABLE

Figure 3 **General Fund expenditures: Actual vs. inflation-adjusted**



Source: Illinois Annual Reports, State Comptroller's Office; calculations by Illinois Tax Foundation.

Figure 4 **FY 1995 appropriations by major purpose, General Fund**



*Total appropriations are greater than total revenues because not all appropriations, especially for multiyear construction projects, are spent in a given year.

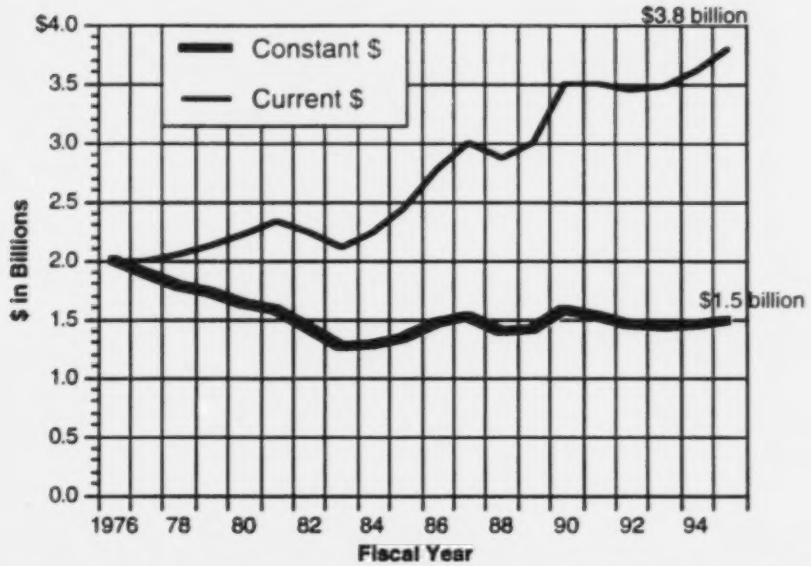
Source: Illinois State Budget, Fiscal Year 1996.

Advocates of elementary and secondary education must compete with a number of other state priorities, including an ever-increasing Medicaid burden, burgeoning prison systems and spiraling demands for child welfare services. (See **Figure 4**.)

Education has barely maintained its limited share of state resources, rather than become a priority over any of the other major demands for state dollars. Since 1976, in fact, state funding for education in real terms has declined by 25 percent (see **Figure 5** at right).

Figure 5

State support for elementary & secondary education, current vs. constant dollars, 1976-1995 ($ in billions)



Source: *State, Local and Federal Financing for Illinois Public Schools, 1994-95*, Illinois State Board of Education, January 1995.

The state education budget

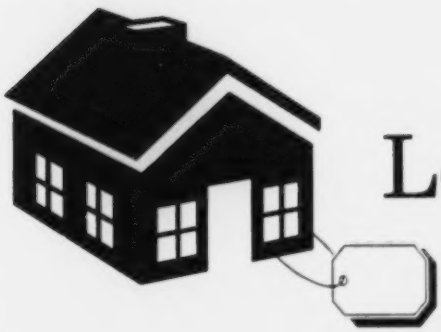
In fiscal year 1995, state revenue for elementary and secondary education was $3.8 billion, or nearly 24 percent of all General Fund spending. Most of these dollars, 70 percent, were allocated through the general state aid formula. The amount provided to each school district varies with the relative wealth of each district (as measured by property values), the number of students attending a district's schools, a measure of the incidence of poverty within a district's student population, and the local tax effort exerted by the school district.

Other major state sources of financial support for schools include categorical and special program grants, and grants for school reform and improvement initiatives. State categorical grants include funds for special education, transportation, vocational and adult education, and gifted and remedial student programs. Reform and school improvement programs provide additional

program grants for schools. Major funding is also provided for at-risk students in programs such as pre-school education, elementary school reading programs and truancy and dropout prevention projects. For the 1994-95 school year, state appropriations for categorical and special programs exceeded $800 million, while school improvement funding totaled around $200 million.

The state also provides for contributions to two pension systems in which Illinois elementary and secondary teachers participate: one for Chicago and one for the rest of the state. In fiscal year 1995, state appropriations for both totaled $330 million.

Chapter 4 provides more detailed information on the distribution of state dollars to school districts through the school aid formula. But because the formula relies heavily upon a district's property tax wealth, first we shall explore the role local governments play in education funding in Chapter 3.



Chapter 3
Local Funding of Schools

The importance of the property tax

Financing public schools in Illinois depends on property taxes. Some school districts receive most of their total revenue from local property taxes while others generate modest amounts from this source. Overall, property taxes in 1994-95 contributed the largest share of revenue, 58.7 percent, for funding public schools in Illinois. (This amount includes corporate personal property replacement revenues, discussed later in this chapter.)

Property taxes collected for public school purposes are tax dollars that the state authorizes local authorities to receive from local property owners in each school district. The actual dollars needed by the district, the wealth—or dollar value of the taxable property—in the district and Illinois' statutory limits combine to determine what the rate of taxation will be in a particular year. The mathematical relationship is fairly simple:

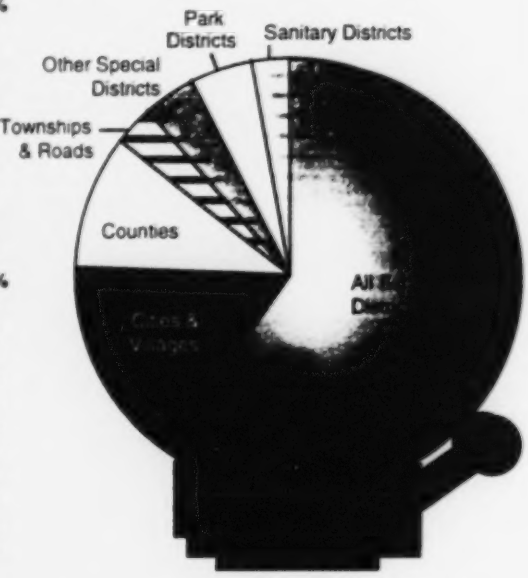
Revenue = Property Value x Tax Rate

Not all real estate is taxable. For example, hospitals, churches, cemeteries, parks and schools are exempt from paying property taxes.

Public schools are not the only units of government that tax property for revenue purposes. Other units of local government, such as townships, park districts, counties, libraries, community colleges and municipalities, use the property tax to provide services; however, schools take the largest share of the property tax dollars collected. On a statewide average, 56 percent of the typical property tax bill is revenue for public elementary and high schools. **Figure 6** on page 20 provides information about the percent of total property taxes that are collected and distributed by each taxing body. The actual amount of property tax dollars school districts receive per student varies dramatically because of the type of school district and its local property wealth.

Figure 6 **Local government property tax extensions, 1993 (collected in '94)**

Type of District	1993 Extension	% Total
All School Dists.	**$6,942,106,358**	**59.5%**
Elementary	1,868,386,475	16.0
Unit	3,182,685,764	27.3
High	1,436,571,796	12.3
Jr. College	454,418,706	3.9
Cities, Villages & Incorp. Towns	**1,851,449,576**	**15.9**
Counties	**1,182,613,707**	**10.1**
Townships & Road Districts	**328,956,103**	**2.8**
All Special Dists.	**$1,360,040,894**	**11.7%**
Sanitary	334,185,198	2.9
Park	540,203,070	4.6
Fire Protection	178,857,535	1.5
Forest Preserve	116,608,550	1.0
Airport Authority	33,163,687	>1.0
Library	116,569,569	1.0
Mosquito Abate.	5,300,354	>1.0
Hospital	7,806,710	>1.0
Cemetery	660,999	>1.0
Multi-Twp. Assmnt.	2,366,999	>1.0
Misc. Districts	24,318,223	>1.0
TOTAL Property Tax Extensions	**$11,665,166,638**	**100.0%**



Source: *Illinois Property Tax Statistics*, 1993, Illinois Department of Revenue.

Property tax basics

The basis of the property tax is the assessed value of property. It is the major factor in determining the amount of local revenue and state aid a school district will receive. In order to maintain education funding levels within the last decade, school districts have relied more and more upon local real estate taxes to meet school costs.

As a revenue source, the property tax is relatively stable. Local revenues would be reduced by declining property values unless tax rates were increased. Property tax revenues would increase with no change in the tax rate if EAV was increasing. Most tax rates can only be raised through voter referenda or legislative revision, and these historically have been difficult to achieve.

The taxable property in a district comprises its **tax base**. In understand-

BEST COPY AVAILABLE

ing how property taxes affect school finances, it is important to be clear about the relationship between the tax base and tax rates. Three activities affect each taxpayer's property tax bill:

- determining the amount of money (taxes) needed to operate the government;
- apportioning the burden of those taxes among taxpayers; and
- any change in the value of property.

The first phase is decided by local governments and school districts that will use the revenues generated to meet their respective budgets. For the second, an assessor determines the value of a district's taxable property. The burden of generating the needed revenue is then proportionately spread over the value of the taxable property.

Steps in the system

While property tax bills are a familiar sight to homeowners, much of the rest of the process seems shrouded in mystery, hidden from view. How are the numbers on those bills derived, and how do they relate to school financing?

Generally, property taxes are collected in a two-year cycle that involves the following steps (with slight variations in Cook and the Collar Counties).

1. Assessment

Most property in a district is assessed according to its worth or average selling price by local officials such as township or county assessors. This is called the property's **market value**. The assessor then determines each property's assessed value, which is a percentage of the market value. Illinois law requires that non-farm property and certain property assessed by the state be assessed at one-third (33 1/3 percent) of its market value, except in Cook County. Cook County classifies property for purposes of taxation and assesses property at percentages ranging from 16 to 40 percent.

(Commercial and industrial properties and farmland are most often assessed differently. Assessors use an 'income' method based on the income-producing abilities of similar properties, and capitalize that income into an estimate of fair cash value, rather than the market value of the land.)

The cumulative total of the market value and income capabilities of the properties in a school district is called a district's **assessed valuation**.

2. Equalization

Establishing property values can vary from assessor to assessor and from county to county. In order to make this process as uniform as possible across the state, a system has been developed to equalize (raise or lower) the assessed value of properties to the required one-third level.

The Illinois Department of Revenue is required to issue an **equalization factor**, or **multiplier**, to each county. This multiplier is applied to properties in that county so that the county, as a whole, is assessed at one-third the market value. A multiplier of 1.0000 is neutral—it neither increases nor decreases assessments. A multiplier greater than 1.0 increases assessments and a multiplier less than 1.0 reduces assessments. A county assessment oversight authority, known as the **Board of Review**, may also choose to apply local equalization factors within counties.

The county clerk then multiplies the assessment of each local property (excluding farmland) by the state and/or local equalization factors to determine the property's **equalized assessed value (EAV)**. This process assures that all properties are carrying an equal weight in generating revenues for the taxing bodies. The total of all property EAVs produces the district's equalized assessed valuation, the property tax base for the district.

3. Tax rate

Tax rates are calculated by the county clerk to express the amount of tax due to a district, stated in terms of a percentage of its tax base. If the tax base in a district changes from one year to the next—for instance, by factories closing in an industrial area or decreasing farmland values in a rural area—the tax rates also will need to change to generate the same amount of dollars. Increases in the tax rate must not exceed the limits set by the Illinois General Assembly (see **Table 2**). If the tax rates in a district are increasing, it is important to know what has caused that increase. A district is not necessarily receiving more funding from property taxes when the rates rise; it may merely be staying even as a result of a declining tax base. Likewise, an increase in values could result in either lower rates, or in larger revenues being generated.

The county clerk calculates the property tax rates for school districts as well as other taxing districts. That tax rate is based on the amount of property tax money the school district has determined it needs to meet its operating expenses.

Table 2 **School district funds tax rate limits, 1994-95***

Funds	District Type	'Permissive' Rate without Referendum	Additional Rate Voter Can Add via Referendum	Total Rate with Referendum
Educational Fund	Elementary	0.92%▼	2.58%	3.50%
	Secondary	0.92▼	2.58	3.50
	Unit	1.84▼	2.16	4.00■
Operations and Maintenance Fund	Elementary	0.25▼	0.30	0.55
	Secondary	0.25▼	0.30	0.55
	Unit	0.50▼	0.25	0.75■
Capital Improvements Fund	All	0.00	0.75	0.75●
Transportation Fund	Elementary	0.12	No Max	As Needed
	Secondary	0.12	No Max	As Needed
	Unit	0.20	No Max	As Needed
Summer School	All	0.00	0.15	0.15
Bond and Interest Fund	All	N/A	No Max	As Needed
Rent Fund	All	N/A	No Max	As Needed
Municipal Retirement/ Social Security Fund	All	As Needed		N/A
Tort Immunity	All	As Needed		N/A
Health Insurance	All	N/A		As Needed
Working Cash Fund	All	0.05		N/A
Fire Prevention, Safety, Energy Conservation and School Security	All	0.05	0.050	0.10
Special Education	Elementary	0.02	0.105	0.125
	Secondary	0.02	0.105	0.125
	Unit	0.04	0.210	0.250
Area Vocational Education	Secondary	0.00	0.05	0.05
	Unit	0.00	0.05	0.05
Tort Judgment Bonds	All	As Needed		N/A
Facility Leasing	All	0.05	0.05	0.10
Temporary Relocation	All Eligible	0.05		N/A

N/A = not applicable

*Applies to 1994 tax levies for taxes extended & collected in 1995; not including Chicago School District 299.

▼ Subject to possible back door referendum.

■ Coterminous dual districts forming a unit district may have a maximum rate of 6.00% for educational, and 1.10% for operations and maintenance purposes.

● For a maximum period of 6 years.

Source: *State, Local and Federal Financing for Illinois School Public Schools, 1994-95*, Illinois State Board of Education.

4. Tax levy

The school board during its budgeting process adopts a **tax levy** based on the estimated needs of the school district. The levy specifies the amount of money the school needs from property taxes to meet the district's operating expenses. The tax rate is then derived by dividing the levy by the equalized assessed value. If there has been no voter referendum to increase the allowable rate, the tax rate is subject to the maximum permissive rates as set by state statute. There are more than 40 different tax funds and corresponding tax rates for school districts.

The **maximum permissive tax rates** vary by type of school district. These rates may be exceeded only if authorized by voter approval at a referendum. Consequently, rates and ability to use local property tax revenues are very different for each type of school district (see **Table 3**).

Most school districts have passed tax referenda and are taxing at higher than the state's permissive rates without referenda. In fact, based on 1993 data, 99 percent of all districts were taxing above the state's permissive rates allowed without referendum.

Table 3 **Highest & lowest total property tax rates applied to school districts, 1993-94 school year**
(Rate per $100 of EAV)

District type	Highest	Lowest	Median
ELEMENTARY	**$7.24** Park Forest SD #163 (Cook County)	**88¢** Seneca CCSD #170 (LaSalle County)	$2.76
HIGH SCHOOL	**$3.91** Thornton Township HSD #205 (Cook County)	**90¢** Seneca Twp. HSD #160 (LaSalle County)	$2.08
UNIT	**$8.00** East St. Louis SD #189 (St. Clair County)	**$1.47** Reed Custer CUSD #255U (Will County)	$4.19

Source: Illinois State Board of Education.

BEST COPY AVAILABLE

Table 4 **Highest & lowest GSAEAV per pupil by type of school district, 1993-94 school year**

District type	Highest	Lowest
ELEMENTARY	**$1,346,340** Seneca CCSD #170 (LaSalle County)	**$15,641** Logan CCSD #110 (Franklin County)
HIGH SCHOOL	**$1,631,070** Seneca Township HSD #160 (LaSalle County)	**$50,150** Christopher HSD #38 (Franklin County)
UNIT	**$832,502** Byron CUSD #226 (Ogle County)	**$9,586** East St. Louis SD #189 (St. Clair County)

Source: Illinois State Board of Education.

5. Tax extension

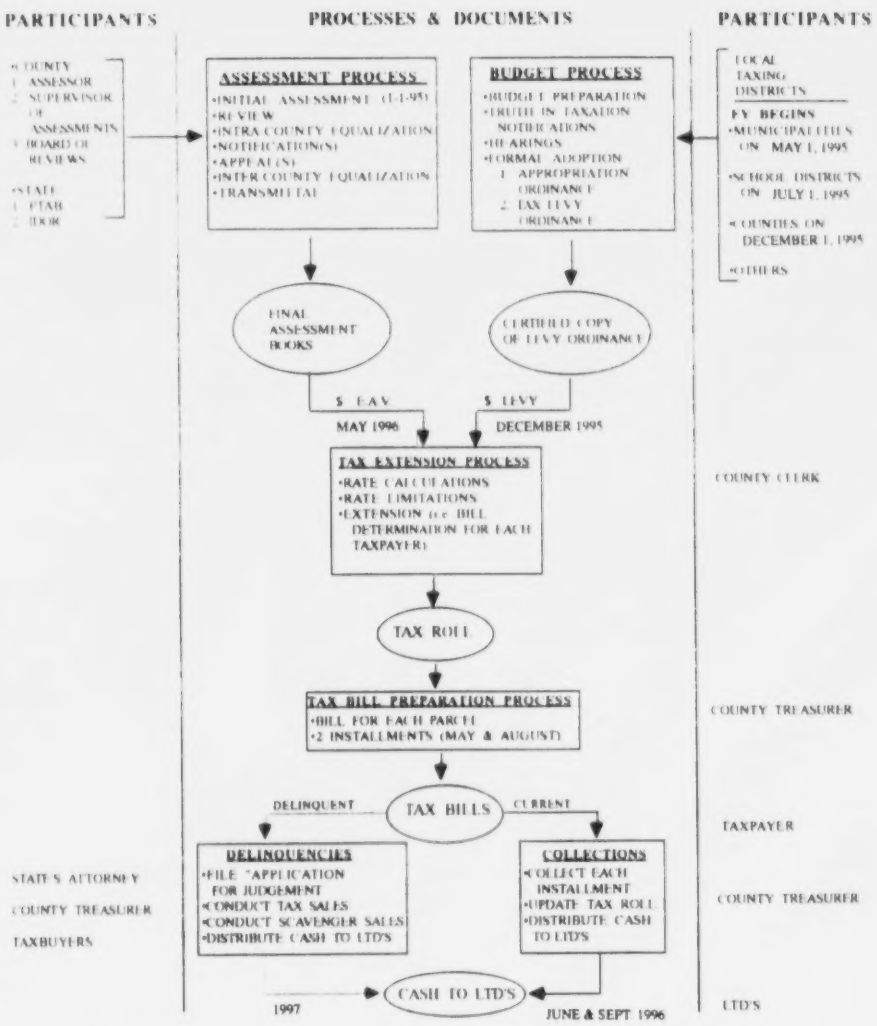
Tax extensions—the actual amount of taxes billed—are typically lower than the amount requested by the school district's levy. Theoretically, the levy can be any amount called for by the budget. The tax extension, however, is limited by the maximum tax rates allowed by law. If the school board's levy results in a rate higher than the maximum allowed, the maximum rate is applied and the taxes extended are less than the amount levied. (For example, if a unit school district has a rate limitation on its educational fund of 1.84 percent without referendum, the county clerk has the responsibility of making sure the tax rate which is applied does not exceed this level. See page 40 for more information about rate limits.)

The wealth of the local real estate tax base determines the amount of financial support available to a school district, and there are extreme variations among districts. **Table 4** shows the dramatic range in **general state aid equalized assessed value (GSAEAV)** per pupil from highest to lowest for each district type.

For the 1993-94 school year for example, the wealthiest unit district in the state had a weighted GSA equalized assessed valuation of $832,502 per weighted pupil while the poorest unit district had GSAEAV of $9,586 per weighted pupil (**Table 4**). Based on this difference, if the tax rates were equal

Figure 7

1996 property tax cycle



Source: Taxpayers' Federation of Illinois

BEST COPY AVAILABLE

in the two districts, the richest district would get approximately 87 times as much tax revenue as the poorest district. This system results in significant disparities in the financial support available to students because of varying district wealth.

6. Tax collection

Generally, property taxes are billed and collected by the county treasurer in two equal installments. If the tax cycle is on schedule, the first installment is due on June 1st and the second on September 1st. Cook and some other counties use an accelerated billing system, where the first installment is computed as 50 percent of the prior year's bill. It is billed by January 31 and due by March 1. The second installment reflects the balance of taxes due, based on rates generally calculated by the clerk in June. Once collected, taxes are to be distributed to the school districts within 30 days.

If property tax bills are not paid on time, taxpayers are charged interest on the overdue balance. If tax bills continue to go unpaid, the county treasurer will issue a delinquent tax list and notify owners of the intent to sell their property in order to collect the taxes due.

The property tax cycle

The property tax cycle takes about two years from the time the assessor begins assessing property to the last distribution of taxes to the school district (see **Figure 7**). Tax bills are sent out every year; each year's cycle must begin before the current year's cycle is completed. For instance, before the 1995 tax bills go out in the summer of 1996, the assessor must have begun work on the 1996 assessment for the taxes that will be paid in 1997.

As the property tax process involves so many steps, delays can occur at many different points along the way, causing tax bills to be late. This is particularly problematic for school districts that may have to borrow money in order to operate their schools while waiting to receive their property tax revenues. Thus, while late property tax bills may give the taxpayer a temporary reprieve before parting with his or her money, the interest due on the school district's borrowing caused by the billing delay will ultimately become the taxpayer's burden, too.

Tax caps

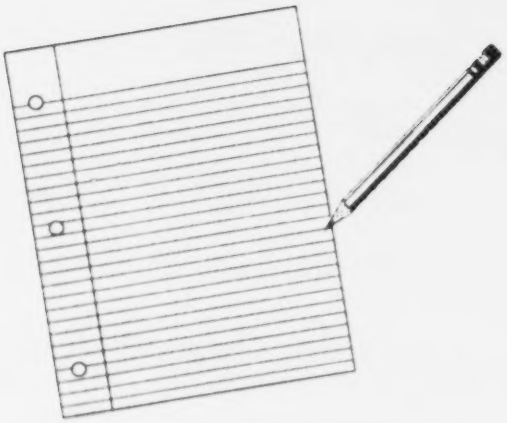
Effective 1991, the Illinois General Assembly enacted the Property Tax Limitation Act or "tax caps" in the five counties surrounding Cook: Du Page,

Kane, Lake, McHenry and Will. Cook County was later included, and consideration is now being given to applying tax caps throughout the state.

Tax caps apply only to the aggregate levy, that is, total dollars collected by a taxing district. They require that amount not to rise beyond 5 percent or the rate of inflation (whichever is less) from one year to the next. If a taxing district presents a levy that exceeds the allowable amount, the county clerk will require the district to lower its rate to meet the cap.

The caps cause school districts three major problems. First, school districts no longer can access the full value of their EAV unless the increase in EAV from one year to the next (not including new property) is less than 5 percent or the rate of inflation. The second problem is that, for general state aid purposes, the actual EAV of the district is used in calculation. This results in the school district appearing to be wealthier per weighted student, thereby receiving less GSA. So the end result is a double-whammy: the school district cannot access the full value of appreciated property within its district, and it receives less GSA from the smaller EAV that it is allowed to access.

The third problem is that school districts which do not have GSA or EAV figures can "balloon levy" (ask for more revenue than they really expect to receive) to ensure the districts receive the maximum amount when their restricted tax rates are extended by the county clerk.



Chapter 4

General State Aid

The **general state aid** system is designed to ensure all students in Illinois access to educational goods and services valued at a basic, "foundation" level or more. This goal is achieved through a formula that divides school districts by type into three segments: low wealth; high wealth; and moderate financial ability.

The foundation level

The cornerstone of the present system of financing Illinois public schools is the **foundation level**. The concept of a foundation level dates back to the mid-1920s and has been a part of school finance plans not only in Illinois but throughout the United States ever since. In Illinois we have used it in a variety of ways, most recently with the creation of the **resource equalizer** system of finance, our current system, which was put in place in the early '70s. While there have been modifications of one sort or another to the resource equalizer system, it remains conceptually unchanged since its enactment.

In essence, the foundation level represents an amount of dollars that the state legislature believes should be available to educate each child. This minimum amount, determined by the General Assembly's annual appropriation, guarantees a minimum amount of money will be available to each school district for each weighted student. The level is generally increased each year.

The foundation level is not all state money. It defines a partnership between the state and each local school district. Each school district must apply a certain formula-driven amount of its local property taxes and its Corporate Personal Property Replacement Revenue toward the foundation level amount. The state, through the equalization formula, provides the balance of the foundation level (a minimum of 7 percent of the foundation level) per weighted

student as a district's General State Aid (GSA) entitlement.

Table 5 gives a brief history of the dollar amounts assigned to the foundation level by the General Assembly over the past decade.

Table 5

Foundation levels, 1986-1996

School Year	$ Value of Foundation Level	% Change to Found. Level
1995-96	$ 2,949.17	3.01%
1994-95	2,863.02	4.44
1993-94	2,741.30	5.42
1992-93	2,600.35	2.85
1991-92	2,528.33	1.07
1990-91	2,501.63	4.92
1989-90	2,384.25	11.09
1988-89	2,146.31	4.33
1987-88	2,057.27	-0.46%
1986-87	$ 2,066.69	—

Source: Illinois State Board of Education

Corporate Personal Property Replacement Revenue

In addition to local property taxes, school districts receive funds commonly referred to as **Corporate Personal Property Replacement Revenue (CPPRR)** from **Corporate Personal Property Replacement Taxes (CPPRT)**.

School districts and other units of local government raise revenue by taxing real property (land and buildings). Real property can be vacant, residential, business and commercial, industrial and manufacturing, agricultural, and other special classifications. Prior to 1979, school districts and other units of government taxed the personal property of business entities and individuals (such as equipment, furniture, materials, inventory and machinery). Revisions in the 1970 Illinois State Constitution eliminated the right of local governments to annually tax the value of personal property. The revenues lost by local governments (including schools) were to be replaced by a statewide tax.

In 1979 the General Assembly enacted a Corporate Personal Property Replacement Tax to 'replace' some of this lost revenue. It consists of a tax on corporate income and the invested capital of utility companies. The revenue from this tax is pooled into a Personal Property Replacement Tax Fund and distributed to local governments. Each unit of local government annually receives a percentage of the CPPRT Fund revenue that is equal to the percent-

age of revenue the taxing district was receiving from the total corporate personal property tax collections in the state when such taxes were abolished in 1979. CPPRT is also used in determining the district EAV for calculation of general state aid.

Total weighted average daily attendance (TWADA)

For purposes of the school aid formula, the **average daily attendance (ADA)** is the district's best three months of ADA or the average of the best three months of the previous three years, whichever is greater.

The ADA is multiplied by a weighting factor according to grade levels (pre-K-6 = 1.0; 7-8 = 1.05; 9-12 = 1.25). Weighting is justified on the assumption it costs more to educate pupils at the junior high and high school levels than the lower grades. This yields the **weighted average daily attendance (WADA).** A weight is then applied for the low-income students in a district to produce the **total weighted average daily attendance (TWADA).**

The relationship between attendance and state aid funding is very direct. When attendance figures go down, state aid also decreases unless EAV also changes in the same percentage and direction. On the other hand, when attendance increases, so does state aid. Because of the way state aid is calculated, it isn't until the *following* year that the school district actually experiences the reduction or increase in state aid. For example, for state aid claims computed for the 1995-96 school year, the attendance figures for the 1994-95 school year are used.

School district wealth considerations

The general state aid formula is designed to provide higher levels of state financial aid to school districts that the formula determines needs the greatest help. The poorer the school district, the greater the state aid; the richer the school district, the less the state aid (though it's never less than 7 percent of the foundation level).

There is a wide variation in property and CPPRR wealth per weighted student across Illinois. The property wealth per weighted student ranged for the 1993-94 school year from a low of $9,586 in the poorest unit district, East St. Louis, to a high of $1,631,070 in the richest secondary district, Seneca HSD #160. The purpose of GSA is to ensure all districts have access to at least the foundation level per weighted student. This is referred to as equalization equity. (Tables 3 and 4 on pages 24-25 illustrate these ranges.)

In attempting to achieve fairness, the state aid formula compares the wealth per total weighted student of a school district to a "state-guaranteed wealth per total weighted student," an amount also know as the "state-guaranteed tax base." This state-guaranteed level varies for each of the three types of school districts. For 1994-95, the state-guaranteed level was $150,685.26 for elementary districts, $260,274.54 for secondary districts, and $103,732.60 for unit districts. These values are mathematically related to the foundation level via the **computational operating tax rate**, which is set by state statute.

General state aid entitlement

- **Special Equalization Grant**

In school districts with low local wealth/financial ability (the poorest 83 percent), the state provides general state aid in an amount that ensures the local school district revenues from local taxes and GSA are equal to the foundation level for each total weighted student claimed. These special equalization grants are equal to the computational operating tax rate times the state guaranteed EAV for each total weighted student.

- **Alternate Method Grant**

The alternate method GSA grant formula funnels state dollars to districts with a moderate level of local wealth. These districts would not qualify for state aid under the special equalization formula; they have an equalized assessed valuation equal to or greater than 87 percent of the state's guaranteed level. Three percent of general state aid is distributed in this manner to 136 districts (15 percent). These school districts received between $200 and $372 per weighted pupil in 1994-95.

- **Flat Grant**

Flat grant districts receive minimal state support due to the high amount of assessed valuation per weighted student (local wealth) in their districts. They do not qualify for aid under the special equalization or alternate method grants. This method assures that these district receive some state funding, albeit a small amount. Seventy-one districts (8 percent) fall into this category. The flat grant for 1994-95 was 7 percent of the foundation level of $2,863.02 per pupil ($200.41 per TWADA). Less than 1 percent of general state aid is distributed through this formula.

Categorical funding

Categorical aid is the final type of state funding. Close to $1 billion of all state funds in 1994-95 were earmarked for categorical programs. It is money the state provides for such specific programs as special education, gifted education, transportation, driver education, adult education, vocational education, bilingual education, and the textbook loan program. Categorical aid is the only way very wealthy districts (particularly the wealthier suburban districts) receive any state funding beyond the flat grant. In some cases, these districts receive as much or more in categorical funding as they do in GSA funds.

Categorical funding was initiated to fund specific student needs, such as transportation, that vary based on the number of students and are incurred by even the poorest districts. In many instances, categorical funding was initiated in response to state mandates. State law requires the state to provide categorical funding for all new mandates unless the state specifically excludes the new mandates from this funding requirement. State funds typically cover only a portion of the cost of categorical programs. The local district must provide the balance. Many categorical programs are "reimbursement" programs. The payments received by school districts are for services provided in the prior school year.

Opponents of categorical aid argue that the dollars are being disproportionately distributed because factors of local wealth are not considered. Wealthy and poor districts are treated alike. Proponents, however, say that all districts should receive this funding on an equal basis since the programs are generally mandated by the state and are not necessarily local initiatives.

Federal aid

Although assistance from the federal government is sometimes granted directly to school districts, most of it is appropriated and distributed by the state. Not all school districts receive federal aid because it is granted on a program-specific basis. School districts must apply for these federal grants. Federal funds generally go to the larger unit districts with high enrollments of underprivileged students. In Illinois, four districts receive the majority of federal aid: Chicago, East St. Louis, Rockford and Peoria.

Federal funding decreased in the 1980s, but has been gradually increasing during the 1990s. In 1994-95, federal aid accounted for 9.2 percent ($1.1

billion) of the state's elementary and secondary education funding. It is generally allocated through categorical grants. Funds are given for lunch programs, service to disadvantaged students, special education and innovative programs. In recent years, a number of categorical programs have been combined in what the federal government refers to as block grants. Through block grants, each school district is allocated a specific number of dollars on the basis of its enrollment.

Chapter 5
The School Budget

School budgets and budget formats vary from district to district. Larger school districts may follow more steps in the preparation of their budgets, involve more staff and produce a more detailed budget and financial report than a smaller district with fewer revenues and expenditures. Budgets, however, must be prepared in sufficient detail to provide adequate guides for expenditures.

Some school districts may issue their annual budget on the state's budget forms, which are based on the *Illinois Program Accounting Manual for Local Education Agencies*. Other districts may initially prepare a more detailed budget for review and adoption and then transfer the appropriate information to the required forms for submission to the state. Districts may also prepare simplified budget summaries for the general public to use. This type of budget summary may contain a budget message stating the school district's overall educational goals, a statement of the cash on hand at the beginning of the fiscal year, an estimate of expenditures and revenues for the year, and an estimate of cash on hand anticipated at the end of the year. This information may be presented in total as well as by the major fund accounts.

Accrual accounting, modified accrual accounting and cash accounting are the three methods available to school districts when writing their budgets. All districts must comply with a state-mandated fund accounting system. At present, school budgets are not required by law to be balanced.

A budget is balanced when income and expenses are equal—that is when a school district takes in as much money as it pays out. This is not always easy to see when a district uses a cash system rather than an accrual accounting system. It is important to know which method a school district is using since it may utilize both methods in various financial reports.

Basically, a cash-basis budget reflects the income that has been received and expenses that have been paid out. In essence, it shows the status of the district's checkbook. Accrual accounting, on the other hand, reflects income and expenses to date regardless of whether or not the district has received cash for all of its income or written checks for all of its expenses.

A deficit budget is one in which anticipated expenses are greater than income (revenue). The budget balance is a negative number—"in the red." A surplus budget is one in which anticipated expenses are less than revenues. The budget balance is a positive number—"in the black."

The availability of all these options, while allowing districts some flexibility in accounting procedures, makes it difficult to compare budgets across districts. One district's budget can reflect a very different picture from another. This presents cumbersome obstacles for a concerned taxpayer who may want to comparatively evaluate his or her district's financial status with other districts in the state.

Fund accounting

School districts are required by law to use specific fund accounts in their budgets. In fact, what is commonly referred to as the school district budget is really a composite of several sub-budgets, called **funds**. A fund is an independent fiscal and accounting unit designated for a specific activity. The number and type of funds maintained by a school district will vary depending on the nature of its operations.

Each fund has its own anticipated revenues and expenditures. A fund account is established for each tax levy to assure proper legal accountability for those revenues and expenditures. Funds, in turn, are further broken down into major functional areas such as regular programs, special programs and pupil support services.

The most commonly used funds are:

Educational Fund—the largest fund; primarily covers the costs necessary to carry on the district's educational program, including teacher, administrator, and clerical salaries; textbooks; supplies; and equipment.

Operations and Maintenance Fund—covers the costs of general operation and maintenance of school buildings and property.

Transportation Fund—provides for the transportation program offered by the school district.

Other funds include the Working Cash Fund, Bond and Interest Fund, Site and Construction Fund, Municipal Retirement Fund, Rent Fund and Capital Improvements Fund.

It is important to remember that money cannot randomly be moved from one fund that may have a surplus (positive balance) to another fund that has a deficit (negative balance). Money can only be moved from one fund to another following guidelines specified by law. These are referred to as interfund loans and are explained more fully in a later section.

Budgeting basics

The complete State Board of Education's School District Budget Form (1995-96) is 37 pages in length. Three summary pages from the full document are reprinted on pages 46-49. The summary of a district's adopted budget provides an overview of the estimated revenues and expenditures for the fiscal year, as well as a cash-balance analysis.

On the revenue side of the budget, revenue can be classified as restricted, partially restricted and unrestricted (sometimes called discretionary revenue). Restricted revenue means that all of the revenue from that source must be placed in only one fund. For instance, 100 percent of the property taxes collected for the Educational Fund must be put in the Educational Fund. An example of "partially restricted" would be Corporate Personal Property Replacement Revenues (CPPRR). CPPRR must *first* be used to cover specific obligations; if there is any remaining CPPRR after those obligations have been met, the revenue may become unrestricted. Unrestricted revenue comes from specific sources but can be budgeted by board discretion (i.e., placed in any fund). general state aid is an example of a revenue source that is unrestricted.

On the expenditure side, some expenses can only be budgeted (paid) out of a specific fund. However, there are areas where some discretion exists as to the fund to which an expenditure can be budgeted. For instance, a first grade teacher's salary must be budgeted in the Educational Fund since the teacher supposedly has 100 percent involvement in education. A superintendent's entire salary could be budgeted in the Education Fund, or *a portion* of the salary could be budgeted in the Education Fund, some in the Transportation Fund (since the superintendent probably spends part of his or her time dealing with the school's buses and transportation), and some in the Operations and Maintenance Fund (since the superintendent probably has additional duties that involve the maintenance and operations of facilities).

When the school district begins its budget process—in many cases a full year prior to the formal adoption—there are two parallel activities that are going on in the district. The superintendent and/or the school business administrator begin to prepare a tentative revenue plan for the upcoming fiscal year. They look at the sources and amounts of past and current revenues and they project and speculate on future revenues. Because no one can accurately predict the future, the revenue figures that are initially submitted represent the best educated guess of those involved, using their collective knowledge and experience. Whatever the starting dollar amounts are, they will all be reviewed and revised as time passes and the formal adoption date approaches. (A summary of the budgeting timetables used by most Illinois public schools is shown below in **Table 6**.)

The revenue process

Every local board of education has the ability each year to ask for a specific amount of money to be collected from the property owners in the district; this

Table 6

The budget calendar

Budgeting is a year-round activity.
The following is a general timetable of what happens and when.

Winter-Spring: Preliminary budget planning by school district (may involve teachers, department heads, principals, business manager, superintendent).
Spring-Summer: Tentative budget presented to school board at school board meeting open to the public.
30 days prior to hearing: Notice of public budget hearing published in local newspaper.
No more than 14 days nor less than 7 days prior to public hearing: Notice of Truth in Taxation.
Before end of the first quarter offiscal year (September 30): Public hearing and adoption of final budget.
By November 1: Final budget submitted on "Local Education Agency Form" to State Board of Education.
By last Tuesday in December: Adoption of tax levy; certificate of tax levy filed with County Clerk.

Source: Taxpayers' Federation of Illinois

BEST COPY AVAILABLE

is the annual levy. The annual extension is limited to specific rate levels established by the Illinois General Assembly. Two limits are defined by statute: the maximum rate that may be used by board authorization and the maximum rate that may be used when approved by voter referendum. These tax rate levels can be changed by the state legislature (though this seldom occurs).

Table 2 on page 23 lists the funds for which boards may request taxes be collected and the 1995 tax rate limits governing those requests.

It should be noted that the law provides many exceptions to the above for special case districts, but it is beyond the scope of this guide to examine all of these. Your local district administration can identify any exceptions that exist in your school district.

The levy request for each fund is divided by the district EAV to calculate the levy rate. The county clerk compares the levy rate to the maximum rate permitted for each of the school district's funds. If the levy rate is less than the maximum permissable rate, the levy rate becomes the extension rate. If the levy rate is greater than the maximum permissable rate, the maximum rate becomes the extension rate. This process is completed for each fund in which the district has requested revenue via the levy.

When the individual tax rates in Table 2 (page 23) are added, the result is referred to as the **total tax rate**. Excluding the rates for the funds for bonds and interest, rent, vocational education, construction, capital improvements and summer school from the total tax rate will yield the operating tax rate (OTR) for a district. The OTR is used as a measure of how hard the school district is working to fund its own programs by using the local property tax. This is referred to as "effort." The general state aid system of school finance is, to a degree, based on the amount of effort each school district is making. The Illinois General Assembly defines the minimum effort each type of school district must make in order to receive a full or maximum share of GSA as: elementary – 1.28 percent; secondary – 1.10 percent; and unit – 2.18 percent.

The expenditure process

While revenue projections are being developed, expenditure projections are also being put together. Normally, projected expenditures are driven by the board's vision of what the programs and services will be for the next year: the number of students to be taught and their special needs and the staff costs that will be required to operate the programs. This includes identifying

teacher, custodial personnel and non-instructional staff needs.

Each school district organizes administrators, teachers and other employees and citizens in various ways to provide input into both the revenue plan and expenditure plan. The process involves planning for best case/worst case scenarios, a pessimistic/optimistic view and/or using a strategy of mildly understating revenue and mildly overstating expenditures. This provides a starting point from which adjustments and refinements can be made continuously—that is, until the budget for the current year is finally and officially adopted on or before September 30 of each fiscal year by the board of education.

Balancing the budget

To balance its budget, a school district has a variety of options. These include:

- moving unrestricted or partially unrestricted revenues (all or parts) from the fund(s) less in need, to fund(s) with greater needs/higher priorities.
- moving expenditures from one or more fund(s) to one or more other fund(s) if possible.
- eliminating or reducing expenditures. In some instances, a strategy to delay specific expenditures from one budget year to the next is used.
- increase revenues as allowed by statute.
- go to voters with a referendum to increase the district's tax rate authority.
- borrowing funds.

This last alternative—borrowing—merits further discussion.

School district borrowing

School districts borrow money from time to time to meet cash flow needs, to finance major capital projects or to cover a deficit between the district's operating expenses and current income. Districts can borrow money in several ways carefully outlined by state law.

Borrowing does not necessarily reflect a negative picture of a district's financial condition. Districts that have a balanced or surplus budget may, at times, be forced to borrow money due to a short-term, temporary cash flow problem created by delays in receipt of property taxes or state aid. As was discussed earlier, the state and local financing systems do not always provide

for the timely flow of revenues. In this type of situation, a district may be wealthy in terms of "accrued" income but "cash" poor.

However, borrowing also can be a sign of serious financial troubles. School districts that continually borrow for several years in a row because their expenses exceed their income borrow against future income to pay current expenses. Districts can operate on borrowed funds, depending on the size of the deficit, for a limited number of years. If the situation continues to escalate, districts will have to do something—either cut spending, find additional sources of revenue or face a serious financial crisis.

Understanding the different ways districts can borrow money helps in assessing school budgets and the specific situations that have created the need for the borrowed funds.

• **SHORT-TERM BORROWING**

If the school district wishes to avoid going to an outside source for short-term cash flow needs, it can use one of several internal mechanisms.

Interfund loans allow districts, interest-free, to move money out of one fund that may have a surplus to another fund that may have a deficit. This can only be done with certain funds as specified by law.

For instance, the education fund can loan money only to the operations, building and maintenance or the transportation funds. The operations, building and maintenance fund can only loan money to the education or the transportation funds. The transportation fund, likewise, can only loan money to the education and operations, building and maintenance funds. These types of loans must be repaid by the end of the calendar year.

A working cash fund is another method for internal, interest-free, short-term borrowing. This is a special fund authorized expressly for the purpose of loaning money to other funds. This fund can be established by an annual tax levy of .05 percent or, subject to a voter referendum, by issuing bonds amounting to as much as 85 percent of the education fund tax levy plus 85 percent of the last known personal property replacement tax entitlement. These loans must also be repaid within an allotted time. Working cash fund loans can be made to the education fund, the operation, building and maintenance fund and the transportation fund.

Working cash fund bonds are subject to what is called a **backdoor referendum**. The school board must publish a notice of its intent to issue these bonds. Voters then have 30 days from the date of the notice to circulate a

petition requesting a referendum. If the petition is signed by at least 10 percent of the district's legal voters, a referendum must be held before the bonds can be issued. But if a petition is not circulated or does not contain enough signatures, the school district may proceed to issue the bonds without a referendum.

Some school districts use the working cash fund as a source of regular revenue by abolishing the working cash fund at the end of each year and placing any remaining balance into an operating fund—particularly the education fund. The district then re-levies the tax the next year, and the cycle begins all over again. Basically, the districts are using the fund as a way to increase their education fund tax rate by .05 percent without a referendum. While this practice is not illegal, it does not follow the spirit of the working cash fund concept as a borrowing tool; rather, the funds are used for operating purposes.

A working cash fund that has been accumulating money (i.e., levied for a number of years without being abolished) presents some problems when it is closed out at the end of a year. The one-time large influx of money to the education fund distorts a district's cash position.

Short-term borrowing from outside sources can also be authorized by school boards against current income that has not yet been received. Money can be borrowed against anticipated property tax revenues, the corporate personal property replacement tax and general state aid. These are referred to as tax anticipation notes or warrants, teachers orders, or state aid anticipation certificates. This type of borrowing incurs interest and must be paid within a certain amount of time or when the taxes or state aid are received.

State law limits the total amount of short-term external debt that a district can accumulate to 85 percent of the property taxes levied (or more commonly—property taxes extended) less any cash available in the working cash fund.

• LONG-TERM BORROWING

Most school districts have, at one time or another, had to go outside the resources of the school district to borrow money for a long period of time. The most obvious examples for entering the long-term bond market are to secure money for the construction of new buildings, life-safety bonds or liability judgment bonds. Schools can also refund bonds to restructure their long-term debt to take advantage of lower interest rates or to spread payments over more years.

Long-term borrowing may be subject to voter approval. Also, while a long-term loan takes care of the particular existing debt for which it is issued, the long-term debt remains in the budget for years to come.

Warning signs of schools in financial difficulty

Defining what constitutes financial difficulty is not easy because Illinois school districts vary so greatly. What is a potentially serious problem for one district may not be the case for a different district. Since school districts have so much borrowing authority, it can be difficult to assess when a deficit situation in a district is a serious problem or merely a temporary aberration.

The State Board of Education has the authority to monitor school districts for financial soundness. After proper investigation of a district's financial condition, the State Board may certify that a district is in financial difficulty and require that district to develop, adopt, and submit a financial plan to the state within 45 days. Any proposed budget of that district must then be consistent with the financial plan as approved by the State Board.

A number of indicators have been identified by the state to serve as warning signs for schools that could lead to a more serious fiscal crisis if left unaddressed.

In brief, the indicators include the following statements that, if answered in the negative, are generally indicative of financial troubles:

- ✓ The district paid all salaries, tuition payments to other school districts, and joint agreement payments within the specified time frames.
- ✓ The district has been able to meet all its debt obligations for outstanding notes, warrants, bonds or the interest on such, and has only contracted for loans as authorized by law.
- ✓ The district refrained from issuing wage orders or second-year tax anticipation warrants when warrants for the current year's taxes are still outstanding.
- ✓ The district avoided adoption of deficit budgets for two consecutive years.
- ✓ The district is under no pending litigation that could adversely affect its financial situation.

Certainly on an individual basis some of these items may not point to serious financial problems. However, the interaction of a number of these indicators and the degrees to which they exist may produce severe financial

stresses for a district. They should be reviewed carefully and resolved as quickly as possible.

In addition to monitoring these indicators, the State Board also keeps a close watch on negative fund balances as an indicator of potential fiscal problems. If a district begins to show cumulative negative fund balances of 15-20 percent of this next year's revenues, there could be some cause for concern. Again, depending on a district's overall borrowing capacity, these kinds of deficits can be carried for some time.

Presently there are no school districts certified as being in financial difficulty, but approximately 30-50 districts are being monitored each year for moderate financial problems. Another 10-15 districts are being followed for more serious troubles. In these instances, the State Board is available to review a district's financial status and offer advice on how to improve the fiscal situation.

Where do schools spend their money?

On average, schools spend the majority of their money in two areas: instruction (roughly 50 percent) and supporting services (approximately 35 percent). Incidental amounts are budgeted to capital outlays, retiring bond principal, debt services and administration.

Various factors determine how school districts will allocate their funds. For example:

- Instructional costs vary with the number of teachers in relation to the number of students (class size) and the level of salaries paid to the average teacher;
- Operating costs vary with the number, size, age and energy efficiency of school buildings;
- Bond retirement and interest cost vary with the amount of long- and short-term debts that a district has incurred over the years;

Other costs vary with the variety of programs and services offered by the district.

Contract negotiations

Personnel costs take up the bulk of a district's budget. Therefore, employee contract negotiations have a heavy impact on how schools spend their money.

It can complicate budgeting as well. Most contracts are negotiated about the same time as the budget is being finalized, making it extremely difficult to project personnel costs. Often districts intentionally budget a low figure for personnel costs and attempt to "protect" funds to ward off excessive demands from unions. If the budget is adopted before negotiations are completed, the budget must be amended. This frequently involves some reworking of the budget to come up with the necessary funds.

How to read the State Budget Summary

Because there is such a great deal of latitude in the budget preparation process among districts, standard reporting formats do not readily exist. Therefore, a copy of the budget summary that all districts are required to submit to the State Board of Education has been included on the next four pages (**Figures 8** and **9**). This summary of a district's adopted budget provides an overview of the estimated revenues and expenditures for the fiscal year, as well as a cash-based analysis.

Figure 8 ISBE School District Budget Form: Budget Summary

A brief explanation of the sections follows.

A Part III - Budget Summary may be completed either on an accrual or cash basis.

B Fund accounts that a district may use in its budgeting.

C Estimated balance remaining in fund accounts as of July 1. This can be zero, a positive or negative number.

D Income by source—local, state and federal—including interest income (transfers) earned in the various funds.

E Total income from all sources in (D).

F Expenses by type of service, including interest income transfers.

Instructions: cost of education, including salaries, supplies, benefits, etc.

Supporting: non-teaching expenses, such as business office, administrative, maintenance, etc.

Community: after school day-care, civic and public library services, etc.

Non-programmed charges: payments to other governmental units such as vocational education programs, etc.

Debt: interest and bond payments, etc.

Contingencies: payments for unexpected needs.

G Total expenditures for all services in (F).

H Subtract expenses (G) from income (E).

I Other financing sources and uses section.

J Financing sources by subject: transfers from other funds, bond sales, fixed asset sale (or compensation for loss of assets) and miscellaneous sources.

K Financing uses, including fund transfers and miscellaneous uses.

L Total of (J) and (K).

M Estimated fund balance at the end of the fiscal year - June 30. Add (C), (H) and (L).

Source: State Board of Education, November 1995

☐ CASH BASIS A ☐ MODIFIED ACCRUAL

NOTE: A copy of Part III - Budget Summary and Part IV - Summary of Cash Transacti forwarded to your Regional Superintendent by October 15, 1995. Regional Su Summaries for all the districts in their region to the Illinois State Board of E November 1, 1995. (The School Code, Section 1A-8)

			B (1) EDUCATIONAL	(2) OPERATION AND MAINTENA
C 1	ESTIMATED FUND BALANCES, July 1, 1995 [A]		$ (1)	$
D	RECEIPTS/REVENUE	Acct. No.	$ (2)	$
2	Local Sources	1000	(3)	
3	Flow-through Receipts/Revenue from one LEA to another LEA	2000	(4)	
4	State Sources	3000	(5)	
5	Federal Sources	4000		
E 6	TOTAL RECEIPTS/REVENUE		$ (6)	$
F	DISBURSEMENTS/EXPENDITURES	Funct. No.	$ (7)	
7	Instruction	1000	(8)	$
8	Support Services	2000	(9)	
9	Community Services	3000	(10)	
10	Nonprogrammed Charges	4000	(11)	
11	Debt Services	5000	(12)	
12	Provision for Contingencies	6000		
G 13	TOTAL DISBURSEMENTS/ EXPENDITURES		$ (13)	$
H 14	Excess of Receipts/Revenue Over (Under) Disbursements/ Expenditures [B]		$ (14)	$
I	OTHER FINANCING SOURCES AND (USES)			
J	OTHER FINANCING SOURCES	7000		
15	Transfers From Other Funds	7100	(15)	

[A] Each fund balance should correspond to the fund balance reflected on the books as of

		ACCT. NO.	(1) EDUCATIONAL	(2) OPERATION AND MAINTENA
			$ (16)	$
16	Sale of Bonds	7200	(316)	
17	Sale or Compensation for Loss of Fixed Assets	7300	(17)	
18	Other Sources	7400		
K	OTHER FINANCING (USES)	8000	(18)	
19	Transfers to Other Funds	8100	(19)	
20	Other Uses	8180		
L 21	TOTAL OTHER FINANCING SOURCES AND (USES) [C]		$ (20)	$
M 22	ESTIMATED FUND BALANCE, June 30, 1996 [D]		$ (21)	$

[C] Total of Lines 15-18 minus Lines 19 and 20 [D] Total of Lines 1, 14, 21

BEST COPY AVAILABLE

...e (pages 35-37 as adopted) must be ...ementaries must forward the Budget ...ducation - ...nance Section, N-335, by

CODE _____ COUNTY _____

DISTRICT NAME _____ NO. _____

STREET _____

CITY _____ ZIP CODE _____

PART III - BUDGET SUMMARY

...GE	(3) BOND AND INTEREST	(4) TRANSPORTATION	(5) MUNICIPAL RETIREMENT/ SOCIAL SECURITY	(6) SITE AND CONSTRUCTION/CAPITAL IMPROVEMENT	(7) WORKING CASH	(8) RENT	(9) FIRE PREVENTION AND SAFETY
47)	$ (90)	$ (125)	$ (168)	$ (205)	$ (233)	$ (256)	$ (284)
48)	$ (91)	$ (126)	$ (169)	$ (206)	$ (234)	$ (257)	$ (285)
49)		(127)	(170)				
50)	(92)	(128)	(171)	(207)		(258)	(286)
51)		(129)	(172)	(208)			(336)
52)	$ (93)	$ (130)	$ (173)	$ (209)	$ (235)	$ (259)	$ (287)
			$ (174)				
53)		$ (131)	(175)	$ (210)			$ (288)
54)		(132)	(176)				
55)	$ (94)	(133)	(339)	(211)			(338)
56)	(95)	(134)	(177)			$ (260)	(337)
57)	(96)	(135)	(178)	(212)			(289)
58)	$ (97)	$ (136)	$ (179)	$ (213)		$ (261)	$ (290)
59)	$ (98)	$ (137)	$ (180)	$ (214)	$ (236)	$ (262)	$ (291)
60)	(99)	(138)	(181)	(215)	(237)	(263)	(292)

June 30th - Balance Sheet Accounts # 703 and # 704 (audit figures, if available).

PART III - BUDGET SUMMARY (Continued)

...GE	(3) BOND AND INTEREST	(4) TRANSPORTATION	(5) MUNICIPAL RETIREMENT/ SOCIAL SECURITY	(6) SITE AND CONSTRUCTION/CAPITAL IMPROVEMENT	(7) WORKING CASH	(8) RENT	(9) FIRE PREVENTION AND SAFETY
(61)	$ (100)	$ (139)		$ (216)	$ (238)		$ (293)
(319)	(320)	(323)	$ (324)	(327)	(332)	$ (333)	(294)
(62)	(101)	(140)	(182)	(217)	(239)	(264)	(295)
(63)	(102)	(141)	(183)	(218)	(240)	(265)	(296)
(64)	(103)	(142)		(219)		(266)	
65)	$ (104)	$ (143)	$ (184)	$ (220)	$ (241)	$ (267)	$ (297)
66)	$ (105)	$ (144)	$ (185)	$ (221)	$ (242)	$ (268)	$ (298)

BEST COPY AVAILABLE

Figure 9 iSBE School District Budget Form: Summary of Cash

- N Part IV-Budget Summary on cash basis only, broken down into various fund accounts.
- O Estimated cash balances as of July 1, including investments such as savings accounts, certificates of deposit, etc. May be zero or a positive number; cannot be a negative number.
- P For cash basis budgets, this will be the same number as in (E). For accrual basis budgets, this number will have to be derived.
- Q Other income from loans repayments, notes, warrants, orders and certificates.
- R Total other income from all sources in (Q).
- S Total revenues obtained by adding (P) and (R).
- T Total income available on cash basis obtained by adding (O) and (S).
- U For cash basis budgets, this will be the same number as in (G). For accrual basis budgets, this number will have to be derived.
- V Other expenses including loans and loan repayments to other funds, notes, warrants, orders and certificates repaid.
- W Total other expenses generated by (V).
- X Total expenses obtained by adding (U) and (W).
- Y Estimated cash balances as of the end of the fiscal year, June 30. May be zero or a positive number; cannot be a negative number.

		Balance Sheet No.	(1) EDUCATIONAL	(2) OPERATIONS AND MAINTENAN
O	1. ESTIMATED BALANCE ON HAND July 1, 1995 (Cash plus investments at cost)	101-6 180	$ (22)	$
P	2. TOTAL RECEIPTS AND OTHER FINANCING SOURCES		$ (23)	$
Q	Add Other Receipts:		$ (24)	$
	3. Loans from other Funds	430	(25)	
	4. Loan Repayments from other Funds	150	(26)	
	5. Corporate Personal Property Tax Replacement Tax Anticipation Notes	406	(27)	
	6. Tax Anticipation Warrants Issued	407	(28)	
	7. Tax Anticipation Notes Issued	408	(29)	
	8. Teachers Orders Issued	409	(30)	
	9. State Aid Anticipation Certificates Issued	410		

		Balance Sheet No.	(1) EDUCATIONAL	(2) OPERATIONS AND MAINTENANC
	10. Other (Attach Itemization)		$ (31)	$
R	11. Total Other Receipts (Total of Lines 3-10)		$ (32)	$
S	12. TOTAL RECEIPTS, OTHER FINANCING SOURCES, AND OTHER RECEIPTS (Total of Lines 2 and 11)		$ (33)	$
T	13. TOTAL AMOUNT AVAILABLE (Total of Lines 1 and 12)		$ (34)	$
U	14. TOTAL DISBURSEMENTS AND OTHER FINANCING USES [G]		$ (35)	$
V	Add Other Disbursements:		$ (36)	$
	15. Loans to Other Funds [H]	150	(37)	
	16. Loan Repayments to other Funds	430	(38)	
	17. Corporate Personal Property Replacement Tax Anticipation Notes Redeemed	406	(39)	
	18. Tax Anticipation Warrants Redeemed	407	(40)	
	19. Tax Anticipation Notes Redeemed	408	(41)	
	20. Teachers Orders Redeemed	409	(42)	
	21. State Aid Anticipation Certificates Redeemed	410	(43)	
	22. Other (Attach Itemization)			
W	23. Total Other Disbursements (Total of Lines 15-22)		$ (44)	$
X	24. TOTAL DISBURSEMENTS, OTHER FINANCING USES, AND OTHER DISBURSEMENTS (Total of Lines 14 and 23)		$ (45)	$
Y	25. ESTIMATED BALANCE ON HAND 6-30-96 (Cash plus investments at cost) (Total of Line 13 minus 24) [I]	101-5 180	$ (46)	$

[G] For cash basis budgets, this total will equal the Budget Summary - Part III Total Disburse

[H] Working Cash Fund loans may be made to any district fund for which taxes are levied (S

[I] Cash plus investments must be greater than or equal to zero.

Source: State Board of Education, November 1995.

Transactions

PART IV - SUMMARY OF CASH TRANSACTIONS

CE	[3] BOND AND INTEREST	[4] TRANSPORTATION	[5] MUNICIPAL RETIREMENT/ SOCIAL SECURITY	[6] SITE AND CONSTRUCTION/CAPITAL IMPROVEMENT	[7] WORKING CASH	[8] RENT	[9] FIRE PREVENTION AND SAFETY
(67)	$ (106)	$ (145)	$ (186)	$ (222)	$ (243)	$ (269)	$ (299)
(68)	$ (107)	$ (146)	$ (187)	$ (223)	$ (244)	$ (270)	$ (300)
(69)	$ (321)	$ (147)	$ (325)	$ (328)		$ (334)	$ (301)
(70)		(148)			$ (245)		
(71)	(108)	(149)	(188)			(271)	(302)
(72)	(109)	(150)	(189)				(303)
(73)	(110)	(151)	(190)				(304)
(74)	(111)	(152)	(191)	(329)		(272)	

PART IV - SUMMARY OF CASH TRANSACTIONS (Continued)

[3] BOND AND INTEREST	[4] TRANSPORTATION	[5] MUNICIPAL RETIREMENT/ SOCIAL SECURITY	[6] SITE AND CONSTRUCTION/CAPITAL IMPROVEMENT	[7] WORKING CASH	[8] RENT	[9] FIRE PREVENTION AND SAFETY
(75) $ (112)	$ (153)	$ (192)	$ (224)	$ (246)	$ (273)	$ (305)
(76) $ (113)	$ (154)	$ (193)	$ (225)	$ (247)	$ (274)	$ (306)
(77) $ (114)	$ (155)	$ (194)	$ (226)	$ (248)	$ (275)	$ (307)
(78) $ (115)	$ (156)	$ (195)	$ (227)	$ (249)	$ (276)	$ (308)
(79) $ (116)	$ (157)	$ (196)	$ (228)	$ (250)	$ (277)	$ (309)
(80)	$ (158)			$ (251)		
(81) $ (322)	(159)	$ (326)	$ (330)		$ (335)	(310)
(82) $ (117)	(160)	(197)			(278)	(311)
(83) (118)	(161)	(198)				(312)
(84) (119)	(162)	(199)				(313)
(85) (120)	(163)	(200)	(331)		(279)	
(86) (121)	(164)	(201)	(229)	(252)	(280)	$ (314)
(87) $ (122)	$ (165)	$ (202)	$ (230)	$ (253)	$ (281)	$ (315)
(88) $ (123)	$ (166)	$ (203)	$ (231)	$ (254)	$ (282)	$ (316)
(89) $ (124)	$ (167)	$ (204)	$ (232)	$ (255)	$ (283)	$ (317)

Bibliography / Suggested readings

The following books, pamphlets and monographs are suggested as additional reading to enrich the understanding of school finance.

Illinois Commission On Intergovernmental Cooperation, *General State Aid to Schools: Legislators' Handbook*, ICIC Research Memorandum No. 84, Springfield, IL. March 1991.

Fowler, William J. Jr. (ed), *Developments in School Finance*, National Center for Educational Statistics. Washington D.C. July 1995.

Gold, Steven D. et. al. (ed). *Public School Finance Programs of the United States and Canada 1993-94*, Vol. 1 and Vol. 2. American Education Finance Association. SUNY Albany. Albany, NY. 1995.

Illinois Education Association, *School Finance / Data by the Numbers*, 4th edition. Illinois Education Association. Springfield, IL. 1990.

Illinois State Board of Education. *Annual State Aid Entitlement Statistics, Illinois Public Schools 1993-94*, ISBE. Springfield, IL. 1993.

Illinois State Board of Education. *State, Local and Federal Financing for Illinois Public Schools, 1994-95*. ISBE. Springfield, IL. 1995.

Illinois State Board of Education. "The Illinois Quality Schools Initiative: Building the Foundations for Change." ISBE. Springfield, IL. January 1995.

Webb, L. Dean, et. al. *Financing Elementary and Secondary Education*. Merrill Publishing Co. Columbus, OH. 1988.

Burrup, Perry, et. al. *Financing Education Is a Climate of Change* (5th Edition). Allyn Bacar, Inc. Boston, MA. 1993.

Picur, Ronald D. and Rowen A. Miranda. *Taxation Without Explanation: The Illinois Property Tax System*. Taxpayers' Federation of Illinois. Springfield, IL. 1993.

Gordon, Jennifer and Chris D. Romans, *Practical Guide to Illinois Real Estate Taxation* (5th Edition). Taxpayers' Federation of Illinois. Springfield, IL. 1994.

About the author

Dr. R. E. Everett has spent more than 30 years in education as a classroom teacher, administrator and professor. A graduate of the University of Utah (B.A. 1964, M.A. 1969, Ph.D. 1971), Dr. Everett has had both public and private school experience. He joined the faculty at Northern Illinois University in 1981 as a professor in Educational Administration and School Business Management. Since 1982, part of Dr. Everett's university assignment has been to serve as Executive Director of the Illinois Association of School Business Officials. Through his teaching, seminars, workshops and writings, Dr. Everett has earned the reputation as a practitioner's practitioner.

About the Illinois Tax Foundation

The Illinois Tax Foundation was organized in 1981 by the Taxpayers' Federation of Illinois to fulfill the demand for in-depth research into a broad range of state government finance issues. Since its inception, the Foundation has targeted and examined public policy matters that are likely to affect the state's future direction. It has produced studies on the state's programs for children and for small businesses, Illinois license and user fees, the state appropriations and budgeting processes, enterprise zones, comparative state tax burdens, Medicaid and more.

The Foundation is a tax-exempt organization under Section 501(C)(3) of the internal revenue code and is incorporated as a nonprofit Illinois corporation.

Products available from the Illinois Tax Foundation:

- A Guide to School Finance, 1995 – $10*
- Performance Rankings of Illinois School Districts, 1995 – $20
- 1995 Illinois Tax Climate – $15*
- Budget Video Package – $29.95
  (includes video, 50 pocket guides, 50 games; add $4 for postage & handling)
- Illinois Budget Game *(set of 50)* – $10
- 1995 Pocket Guide to the Illinois State Budget *(set of 50)* – $10*
- How To Set Fees For Your Government – $15
- Fixing Kids: Illinois Programs for Children – $10
- An Rx for Medicaid – $10*
- A Guide to the Illinois State Appropriations Process – $10
- Enterprise Zones in Illinois – $10
- Helping Small Business: DCCA's Promise and Failure – $5
- Property Tax Assessment in Illinois: Structure and Performance – $7.50*

* *offered as* Publications Group Package *(includes postage & handling)* – $30

Please add $2.00 postage & handling for each book ordered, unless otherwise noted.

Enclose a check made out to the ILLINOIS TAX FOUNDATION for the product(s) you have indicated above, including postage and handling. Return in an envelope with this order form to ILLINOIS TAX FOUNDATION, 201 East Adams, Suite 350, Springfield, IL 62701.

Name _____

Address _____

City _____ **State**_____ **Zip**_____

Telephone _____

BEST COPY AVAILABLE

Illinois Tax Foundation

as of 2 / 1 / 1996

300 West Edwards St., Suite 201

Springfield, Illinois 62704

217 / 522-6818

BEST COPY AVAILABLE